

RAINY MOUNTAIN ROYALTY CORP.
(An Exploration Stage Company)

Interim Financial Statements
(Unaudited – Prepared by Management)

For the six-month period ended October 31, 2018
(Expressed in Canadian Dollars)

Contact Information:

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RAINY MOUNTAIN ROYALTY CORP.

Dated December 7, 2018

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Rainy Mountain Royalty Corp. for the six months ended October 31, 2018 and 2017 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six-month period ended October 31, 2018.

RAINY MOUNTAIN ROYALTY CORP.

Interim Statements of Financial Position

As at October 31, 2018 and April 30, 2018

(Unaudited – Expressed in Canadian Dollars)

	October 31, 2018	April 30, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 19,024	\$ 10,061
Marketable securities (Note 4)	10,500	58,600
Receivables	4,274	69,601
Prepaid expenses	7,627	7,064
	<u>41,425</u>	<u>145,326</u>
Deposits (Note 7)	18,000	18,000
Equipment (Note 5)	1,136	1,328
Exploration and evaluation assets (Note 6)	3,255,457	3,320,951
	<u>\$ 3,316,018</u>	<u>\$ 3,485,605</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 137,909	\$ 137,628
Shareholders' equity		
Capital stock (Note 8)	23,476,092	23,476,092
Share-based payment reserve (Note 9)	3,028,043	3,028,043
Deficit	(23,326,026)	(23,156,158)
	<u>3,178,109</u>	<u>3,347,977</u>
	<u>\$ 3,316,018</u>	<u>\$ 3,485,605</u>

Nature of operations and going concern (Note 1)

Commitments (Note 12)

On behalf of the Board:“Douglas L. Mason”

Director

“Sead Hamzagic”

Director

The accompanying notes are an integral part of these financial statements.

RAINY MOUNTAIN ROYALTY CORP.**Interim Statements of Loss and Comprehensive Loss**

For the three and six months ended October 31, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

	Three-month period ended October 31, 2018	Three-month period ended October 31, 2017	Six-month period ended October 31, 2018	Six-month period ended October 31, 2017
EXPENSES				
Consulting and director fees (Note 7)	\$ 18,250	\$ 100,656	\$ 42,125	\$ 229,781
Depreciation	92	360	192	719
Investor relations	1,221	2,641	1,701	10,782
Marketing	143	6,819	143	23,116
Office and miscellaneous (Note 7)	4,957	11,641	11,261	32,893
Professional fees (Note 7)	17,584	27,962	35,270	58,020
Rent and utilities (Note 7)	5,955	5,955	11,909	11,909
Share-based payments (Note 9)	-	15,680	-	45,134
Transfer agent and regulatory fees	14,122	7,940	19,183	20,056
Travel	89	1,508	257	7,735
Wages and benefits	11,108	10,751	20,663	20,902
Operating loss	(73,521)	(191,913)	(142,704)	(461,047)
OTHER INCOME (EXPENSES)				
Fair value adjustment on marketable securities (Note 4)	19,902	(3,300)	(2,898)	(7,250)
Loss on sale of marketable securities (Note 4)	(32,671)	-	(32,671)	-
Gain on sale of equipment	8,000	-	8,000	-
Other income (expense)	317	15	405	24
Recovery on exploration and evaluation assets (Note 6)	-	425	-	3,125
	(4,452)	(2,860)	(27,164)	(4,101)
Net loss and comprehensive loss for the period	\$ (77,973)	\$ (194,773)	\$ (169,868)	\$ (465,148)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	53,921,969	46,658,937	46,198,525	46,198,525

The accompanying notes are an integral part of these financial statements.

RAINY MOUNTAIN ROYALTY CORP.
Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of common shares	Capital stock	Share-based payment reserve	Subscriptions received	Deficit	Total
Balance as at April 30, 2017	40,979,931	\$ 22,538,928	\$ 2,991,140	\$ 115,000	\$(22,473,570)	\$3,171,498
Share-based payment	-	-	45,134	-	-	45,134
Share options exercised	220,000	25,924	(14,224)	-	-	11,700
Warrants exercised	600	90	-	-	-	90
Private placement	6,160,000	616,000	-	(115,000)	-	501,000
Share issue costs	-	(800)	-	-	-	(800)
Shares issued for mineral properties	411,438	33,650	-	-	-	33,650
Options issued for mineral properties	-	-	5,993	-	-	5,993
Net loss for the period	-	-	-	-	(465,148)	(465,148)
Balance as at October 31, 2017	47,771,969	\$ 23,213,792	\$ 3,028,043	\$ -	\$(22,938,718)	\$3,303,117
Private placement	6,150,000	307,500	-	-	-	307,500
Flow through premium liabilities	-	(30,200)	-	-	-	(30,200)
Share issue costs	-	(15,000)	-	-	-	(15,000)
Net loss for the period	-	-	-	-	(217,440)	(217,440)
Balance as at April 30, 2018	53,921,969	\$ 23,476,092	\$ 3,028,043	\$ -	\$(23,156,158)	\$3,347,977
Net loss for the period	-	-	-	-	(169,868)	(169,868)
Balance as at October 31, 2018	53,921,969	\$ 23,476,092	\$ 3,028,043	\$ -	\$(23,326,026)	\$3,178,109

The accompanying notes are an integral part of these financial statements.

RAINY MOUNTAIN ROYALTY CORP.

Interim Statements of Cash Flows

For the three and six months ended October 31, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)

	Three-month period ended October 31, 2018	Three-month period ended October 31, 2017	Six-month period ended October 31, 2018	Six-month period ended October 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (77,973)	\$ (194,773)	\$ (169,868)	\$ (465,148)
Items not affecting cash				
Depreciation	92	360	192	719
Share-based payments	-	15,680	-	45,134
Fair value adjustment on marketable securities	(19,902)	3,300	2,898	7,250
Loss on sale of marketable securities	24,671	-	24,671	-
Change in non-cash working capital items				
Increase (decrease) in receivables	(678)	37,733	65,327	31,669
Increase (decrease) in prepaid expenses	(3,445)	41,491	(563)	74,433
Increase (decrease) in accounts payable and accrued liabilities	(4,655)	(87,608)	281	(122,118)
Net cash used in operating activities	(81,890)	(183,817)	(77,062)	(428,061)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (investment) recovery in exploration and evaluation assets	71,857	(30,162)	65,494	(381,919)
Proceeds on sale of equipment	8,000	-	8,000	-
Proceeds on sale of marketable securities	12,531	-	12,531	-
Net cash provided by (used in) investing activities	92,388	(30,162)	86,025	(381,919)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	151,000	-	616,000
Share issue cost	-	(800)	-	(800)
Subscriptions received	-	(15,000)	-	(115,000)
Options exercised	-	-	-	11,700
Warrants exercised	-	-	-	90
Net cash provided by financing activities	-	135,200	-	511,990
Change in cash during the period	10,498	(78,779)	8,963	(297,990)
Cash and cash equivalents, beginning of period	8,526	400,501	10,061	619,712
Cash and cash equivalents, end of period	\$ 19,024	\$ 321,722	\$ 19,024	\$ 321,722

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these financial statements.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Rainy Mountain Royalty Corp. (the “Company”) was incorporated under the laws of British Columbia and was continued under the laws of Ontario on December 11, 2005. On February 5, 2010, the Company continued into British Columbia from Ontario and concurrently changed its name from “East West Resource Corporation” to “Rainy Mountain Royalty Corp.”. The Company is engaged in the acquisition and exploration of mineral resource properties.

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management will attempt to secure additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months although there can be no assurance that it will be successful. There are several material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern; the Company has incurred significant operating losses over the past several fiscal years (2018 – 682,588; 2017 - \$943,929), has a working capital deficit of \$96,484, and a deficit of \$23,326,026. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of exploration and evaluation assets.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION

Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and effective as of October 31, 2018. The Board of Directors approved the financial statements for issue on December 7, 2018.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value or amortized cost, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgments and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those judgments and estimates.

The most significant accounts that require judgments and estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of site reclamation obligations, the assumptions used in share-based payments, and recognition of deferred income tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred, which were capitalized, have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)

Use of estimates and judgements (Continued)

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Site restoration obligations

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Restoration liabilities include an estimate of the future cost associated with the reclamation of property and equipment, discounted to its present value, and capitalized as part of the cost of that asset. The estimated costs are based on the present value of the expenditure expected to be incurred. Changes in the discount rate, estimated timing of reclamation costs, or cost estimates are dealt with prospectively by recording a change in estimate, and a corresponding adjustment to equipment. The accretion on the reclamation provision is included in the statement of loss and comprehensive loss. Actual expenditures incurred are charged against the reclamation liability.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a list of significant accounting policies used by the Company.

(a) Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the years presented, the Company only held cash.

(b) Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. They are initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

Transactions costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Financial liabilities (Continued)

Other financial liabilities: This category includes liabilities which are initially recognized at fair value, net of transaction costs, and are subsequently stated at amortized cost.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated at the following annual rates using the declining balance method:

Field equipment	30%
Vehicles	30%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of loss and comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Exploration and evaluation assets

Exploration and evaluation

Once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received, during the exploration and evaluation stage, against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of an impairment. All capitalized exploration and evaluation expenditures are reviewed annually for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, it is charged to profit or loss. An impairment charge relating to exploration and evaluation assets is subsequently reversed when new exploration results or actual or potential proceeds on sales or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, capitalized costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Capital stock

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Equity units

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants where the fair value of the common shares is based on the market value on the date of issue, of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against common share component.

Flow-through units

The Company will from time to time issue flow-through shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into i) capital stock, and ii) a flow-through share premium, equal to the estimated premium if any, which is recognized as a liability. Upon exploration expenditures being incurred, the Company derecognizes the liability and recognizes the flow-through premium in income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Share-based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payment reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(h) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company calculates diluted earnings per share, whereby the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(i) Income taxes

Income tax on the profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Interim Financial Statements

October 31, 2018

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes (Continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the deferred tax asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Provision for site reclamation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses. As at October 31, 2018 and April 30, 2017, the Company has no provisions for site reclamation.

(k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

(l) New accounting standards and interpretations not yet adopted

The Company has not yet adopted the following revised or new IFRS that have been issued, but are not yet effective:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

RAINY MOUNTAIN ROYALTY CORP.

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4. MARKETABLE SECURITIES

Marketable securities comprise common shares in publicly and non-publicly traded companies as follows:

	October 31, 2018	April 30, 2018
Minifocus Exploration Corp. – Nil common shares (April 30, 2018 - 330,000 common shares)	\$ -	\$ 6,600
Treslow Plc. - 1,533 common shares (April 30, 2018 - 1,533 common shares)	-	-
Copper Lake Resources Ltd. – 700,000 common shares (April 30, 2018 – 1,300,000 common shares)	10,500	52,000
At fair market value	\$ 10,500	\$ 58,600

5. EQUIPMENT

	Field equipment	Vehicles	Total
Cost			
Balance, April 30, 2017	\$ 18,795	\$ 9,074	\$ 27,869
Dispositions during the year	(18,795)	-	(18,795)
Balance, April 30, 2018	-	9,074	9,074
Dispositions during the period	-	-	-
Balance, October 31, 2018	\$ -	\$ 9,074	\$ 9,074
Accumulated depreciation			
Balance, April 30, 2017	\$ 15,899	\$ 7,178	\$ 23,077
Depreciation for the period	870	568	1,438
Dispositions during the period	(16,769)	-	(16,769)
Balance, April 30, 2018	-	7,746	7,746
Depreciation for the period	-	192	192
Balance, October 31, 2018	\$ -	\$ 7,938	\$ 7,938
Carrying amounts			
As at April 30, 2017	\$ 2,896	\$ 1,896	\$ 4,792
As at April 30, 2018	\$ -	\$ 1,328	\$ 1,328
As at October 31, 2018	\$ -	\$ 1,136	\$ 1,136

RAINY MOUNTAIN ROYALTY CORP.

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6. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities or ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of the exploration and the development of a mineral property, the potential for production on the property may be diminished or negated.

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire and explore certain mineral properties located in various regions of Canada. Numerous aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in these regions, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

The Company's expenditures on exploration and evaluation assets are as follows:

	Clay/Powell	Marshall Lake	Brunswick	Other Properties *	Total
Balance, April 30, 2018	\$ 1	\$ 2,142,637	\$ 1,178,309	\$ 4	\$ 3,320,951
Deferred costs:					
Additions during the year:					
Acquisitions and staking	-	-	25,000	-	25,000
Field office expense	-	-	2,000	-	2,000
Fuel	-	-	64	-	64
Geological and labour	-	-	700	-	700
Reports	-	-	4,492	-	4,492
Storage	-	2,250	-	-	2,250
Option payments and expenses	-	-	(100,000)	-	(100,000)
Net change for the period	-	2,250	(67,744)	-	(65,494)
Balance, October 31, 2018	\$ 1	\$ 2,144,887	\$ 1,110,565	\$ 4	\$ 3,255,457

* Other Properties currently consist of the Eva Kitto, Max, Norton Lake and Seagull Properties.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

	Clay/Powell	Marshall Lake	Brunswick	Other Properties *	Total
Balance, April 30, 2017	\$ 1	\$ 2,151,737	\$ 400,147	\$ 4	\$ 2,551,889
Deferred costs:					
Additions during the year:					
Acquisitions and staking	-	12,500	28,742	-	41,242
Accommodations	94	-	37,857	-	37,951
Assays	-	-	57,370	-	57,370
Drilling	-	-	323,291	-	323,291
Equipment Rental	-	-	22,312	-	22,312
Field office expense	11	-	5,533	-	5,544
Fuel	67	-	5,950	-	6,017
Geological and labour	-	-	272,063	-	272,063
Permitting	-	-	11,992	-	11,992
Reports	2,200	-	12,025	-	14,225
Roads and access	-	-	6,172	-	6,172
Storage	-	5,400	-	-	5,400
Surveying	-	-	4,280	-	4,280
Transportation	-	-	13,061	-	13,061
Travel	-	-	5,283	-	5,283
Trenching	-	-	6,275	-	6,275
Option payments and expense recovery	-	(27,000)	(34,044)	-	(61,044)
Net additions (recoveries) for the period	2,372	(9,100)	778,162	-	771,434
Impairment of exploration and evaluation assets	(2,372)	-	-	-	(2,372)
Net change for the year	-	(9,100)	778,162	-	769,062
Balance, April 30, 2018	\$ 1	\$ 2,142,637	\$ 1,178,309	\$ 4	\$ 3,320,951

* Other Properties currently consist of the Eva Kitto, Max, Norton Lake and Seagull Properties.

During the year, the Company recovered \$34,292 from Properties previously written down.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

October 31, 2018

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Brunswick Property

On September 1, 2016, the Company entered into an option agreement to acquire an undivided 100% interest in a 13 claim unit property located in Brunswick Twp., Ontario (the "Brunswick Property"). The Brunswick Property is currently owned by Michael Tremblay of Wawa, Ontario (as to 50% interest) and Fiorella Santamaria of Sault Ste. Marie, Ontario (as to 50% interest) (the "Optionors"). Under the option agreement, the Company can earn a 100% interest in the Brunswick Property by making a series of cash payments over five years (totalling \$150,000 of which \$30,000 was paid in cash and shares during the year ended April 30, 2017 and \$20,000 (was paid in shares year ended April 30, 2018) and issuing a total of 300,000 shares in 3 instalments (100,000 shares (issued) upon approval of the option agreement by the TSX Venture Exchange (the "Effective Date"); 100,000 shares 12 months following the Effective Date (issued); and 100,000 shares 24 months following the Effective Date). If an indicated resource is outlined for the Brunswick Property by the Company, a further 100,000 bonus shares will be issued to the Optionors. At the Company's election, any cash payment may be paid in shares (based on the 10 day trading average for the Company's shares as of the due date for such cash payment). A 2% NSR has been retained by the Optionors and the Company has the right to purchase one half thereof (1% NSR) at any time for \$1.0 million, and as well, the Company has a right of first refusal to purchase the remaining 1% NSR.

On May 8, 2017, the Company concluded a Memorandum of Understanding with the Mattagami First Nation ("Mattagami") in connection with the Company's optioned gold exploration property project (the "Brunswick Property") located in the Timmins area of Ontario. The agreement calls for the Company to (i) issue 50,000 common shares (issued); (ii) issue 50,000 stock options (issued); and (iii) pay an amount equal to 2% of the first \$5,000,000 of aggregate exploration expenditures and 1% thereafter to Mattagami.

Clay and Powell Properties

During 2003, the Company and Mega Uranium Ltd. ("Mega") acquired a 100% interest (50% each) in 11 claims located in the Thunder Bay Mining Division, Ontario, by paying a total of \$88,000 (\$44,000 each) (\$44,000 paid by the Company) and the issuance of 100,000 common shares of the Company (issued).

In August 2016, the Company entered into an agreement with Mega Uranium Ltd. ("Mega") to acquire its 50% interest in the Powell Property. In consideration for Mega's 50% interest in the Powell Property, the Company issued 500,000 shares to Mega, and as a result, the Company now owns 100% of the Powell Property.

During the year ended April 30, 2017, the Company recorded an impairment charge of \$34,508 related to the Clay and Powell Properties since the Company has no currently planned exploration activities for the properties.

On October 4, 2017, the Company and International Bethlehem Mining Corp. ("International Bethlehem") entered into an option agreement (the "Option Agreement"). Pursuant to the Option Agreement, the Company has granted the option (the "Option") to International Bethlehem acquire an undivided 90% interest in certain mining claims, referred to as the Powell Property, held by the Company in Ontario, Canada (the "Property"), on the terms and conditions of the Option Agreement and subject to the approval of the Exchange. In order to exercise the Option and acquire an undivided 90% interest in the Property, the International Bethlehem is required to: (i) issue 2,000,000 common shares to the Company; and (ii) incur exploration expenditures in the aggregate amount of \$1,000,000 on the Property over a five year period commencing on the date the Exchange approves the Option Agreement. Upon exercise of the Option, the Company and International Bethlehem will, in good faith, negotiate and enter into a joint venture agreement provided, however; International Bethlehem has the option to purchase the 10% interest retained by the Company upon exercise of the Option in full in exchange for 1,000,000 shares of the International Bethlehem and a 2% net smelter royalty ("NSR") on the Property. International Bethlehem has the right to purchase, at any time, half of the NSR for \$1,000,000 reducing the NSR to 1%. The Option Agreement is considered to be a non-arm's length transaction and remains subject to approval by the Exchange.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

October 31, 2018

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Eva Kitto Property

The Company holds a 50% interest in the property with International Bethlehem Mining Corp. ("International Bethlehem") holding the other 50% interest. The property is subject to an aggregate NSR royalty of 3.5%, of which 2% can be purchased at any time for \$2,000,000. The Company and International Bethlehem are related parties by virtue of having certain common directors.

Marshall Lake Property

The Marshall Lake property is located in the Thunder Bay Mining Division, Ontario, and the Company has a joint venture interest in certain claim units as follows:

- (i) The Company acquired a 100% interest in certain mineral leases from Teck Cominco Ltd. ("Teck") and the underlying titleholder by issuing 250,000 units (issued during fiscal 2007), each unit consisting of one common share and one two-year warrant to purchase an additional common share for \$0.13 (exercised), and spending \$100,000 on exploration on these claims prior to December 31, 2009 (incurred). Teck retained a 2% NSR royalty and had a back-in right to earn a 51% interest in the claims by spending two times what the Company incurred in exploration work on these claims. The back-in right existed for a five year period following completion of the Company's initial \$100,000 exploration commitment, and therefore expired in March 2013.
- (ii) The Company acquired an option from Carey Lance (the "Vendor") of Ontario to purchase a 100% interest in certain surface and mineral rights comprising 421 claim units in consideration for the issuance of 200,000 shares (100,000 issued during fiscal 2007 and 100,000 issued during fiscal 2008) and the payment of \$150,000 in stages over seven years (fully paid as of June 13, 2012). The Vendor retained a 2% NSR royalty of which the Company can purchase one-half thereof (1% NSR) at any time for \$1,000,000 and the Company has a right of first refusal on the remaining 1% NSR.
- (iii) The Company acquired a 100% interest in certain leases and claim units from NWT Copper Mines ("NWT") by making aggregate cash payments of \$75,000 (paid) and incurring \$1,000,000 in exploration over three years (completed). NWT retained a 3% NSR royalty on precious metals and a 2% NSR on base metals, with 1% of either royalty purchasable by the Company for \$2 million and the Company having a right of first refusal on the remaining portions of these royalties. In connection with the NSRs, the Company is required to pay an annual advance royalty of \$25,000, which payments are credited against royalties otherwise payable to NWT. All annual advance royalty payments have been paid to date and such payments are shared on a 50/50 basis with Copper Lake Resources Ltd. ("Copper Lake") pursuant to an option agreement dated July 6, 2010, as amended, as referred to herein.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

October 31, 2018

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Marshall Lake Property (Continued)

By agreement dated July 6, 2010, and as amended, the Company and Marshall Lake Mining Limited ("MLMP"), a privately held company based in the United Kingdom (each holding a 50% interest in the Marshall Lake property), granted an option to Copper Lake, whereby Copper Lake has the right to acquire up to a 50% joint venture interest in the Marshall Lake property and project. Under the option agreement, Copper Lake is required to incur \$4,000,000 in expenditures on the property over five years and to issue 2,000,000 shares to the Company over four years. Copper Lake earns a 12.5% joint venture interest in the Marshall Lake project for every \$1,000,000 in expenditures incurred and for every 400,000 shares issued (except for the initial 12.5% interest, whereby Copper Lake was required to issue 800,000 shares to the Company). To date, the Company has received 2,000,000 shares of Copper Lake valued at \$296,000 at the time of issue. Additionally, once Copper Lake has completed its share issuance and spending requirements, it has the additional option to increase its joint venture interest to 75% by incurring such additional property expenditures as are necessary to take the Marshall Lake project to bankable feasibility stage. Prior to July 22, 2014, the Company and Copper Lake had certain directors in common. By amending agreement, dated July 8, 2015, the Company and Marshall Lake Mining agreed to extend Copper Lake's initial earn-in option on the Marshall Lake property to July 15, 2017 in return for Copper Lake issuing 500,000 shares (valued at \$22,500 at the time of issue) to each of the Company and Marshall Lake Mining, which shares were issued as of July 30, 2015. By amending agreement, signed April 20, 2017 the Company agreed to further extend Copper Lake's initial earn-in option on the Marshall Lake property to July 15, 2018 in return for Copper Lake issuing 600,000 shares (issued) to the Company.

On September 29, 2016, Copper Lake announced that it received shareholder and TSX Venture Exchange approvals, to an agreement with MLMP to acquire its 31.25% interest in the Marshall Lake property. The acquisition gave Copper Lake a 68.75% interest in the Marshall Lake property with the remaining 31.25% held by the Company.

On June 14, 2018, the Company has approved the expenditures and the earn in of Copper Lake's 75% interest. Copper Lake has confirmed that it will be continuing with the additional option to increase its joint venture interest to 87.5% by incurring such additional property expenditures as are necessary to take the Marshall Lake project to bankable feasibility stage.

Max Property

As of February 2008, the Company had staked certain claim units known as the Max Property.

By option and joint venture agreement dated June 20, 2008 (as amended by agreement dated August 14, 2009), the Company granted Northern Shield Resources Inc. ("Northern") an option to earn a 50% interest in the Max Property in consideration for an initial payment of \$75,000 (received), the issuance of 300,000 shares (received at a value of \$168,000), an expenditure commitment of \$250,000 in 2008 (completed) and \$1,000,000 within the next two years. By August 30, 2009, Northern was required to pay an additional option payment of \$15,000 (received) and issue 100,000 shares to the Company (received at a value of \$11,000).

By virtue of the payments made, expenditures incurred, and shares issued, Northern acquired a 50% interest in the Max Property and a 50/50 joint venture was formed between the Company and Northern. In October 2010, the Company elected not to participate in Northern's \$450,000 drill program on the Max Property, and accordingly, the Company's joint venture interest in the Max Property was reduced to 40.9% interest. As of June 18, 2014, Northern assigned and sold its ownership interest in the Max Property and its interest under the joint venture agreement to Great Lakes Resources LLC, a Virginia corporation.

During the year ended April 30, 2015, the Company fully impaired the Max Property due to inactivity.

RAINY MOUNTAIN ROYALTY CORP.

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

Norton Lake Property

The Company had a 24.5% interest in certain claim units in the Norton Lake area (the “Norton Lake Project”) with White Metal Resources Corp. (“White Metal”) owning 24.5% and Cascadia International Resources (“Cascadia”) owning 51%. Some of the claim units are subject to a 2% NSR (the Company may purchase 1% of the NSR for \$1,000,000 and has a right of first refusal on the remaining 1% NSR).

During the 2009 fiscal year, Cascadia assigned its 51% joint venture interest to Copper Lake Resources Ltd. (“Copper Lake”). By agreement dated February 21, 2012, the Company, Copper Lake and White Metal combined and consolidated their respective interests in the Norton West and Norton East Properties, and as a result, the Company has a 32.6% interest in the combined Properties (with Copper Lake having a 57.6% interest and White Metal having a 9.8% interest). Further, by agreement dated July 3, 2014, the joint venture interests were again adjusted amongst the parties to reflect their respective contributions towards the June 2012 to May 2013 exploration program on the Properties, and as a result, the Company now has a 30.21% interest in the combined Properties (with Copper Lake having a 60.70% interest and White Metal having a 9.09% interest). Prior to July 22, 2014, the Company and Copper Lake had certain directors in common.

On June 29, 2015, Copper Lake announced that it had acquired White Metal’s 9.09% interest in the Norton Lake Property, and as a result, the Company continues to hold a 30.21% interest and Copper Lake now holds a 69.79% interest.

During the year ended April 30, 2016, the Company recorded an impairment charge of \$730,161 related to the Norton Lake Property due to inactivity.

Seagull Property

The Company and White Metal Resources Corp. (“White Metal”) jointly owned a 100% interest in two mineral claim groups in the Anders Lake and Leckie Lake areas located north-northeast of Thunder Bay, Ontario (the “Seagull property”).

The Company subsequently entered into an option agreement dated October 2, 2008 with White Metal and Black Panther Mining Corp., now known as Canadian International Pharma Corp. (“CIPC”), whereby CIPC was granted an option to earn an initial 30% interest (earned) in the Seagull property. In order to acquire its initial 30%, CIPC was required to spend \$500,000 in exploration expenditures by February 28, 2009 (completed).

By amending agreement dated October 15, 2010, CIPC increased its ownership interest in the Seagull property from 30% to 40% interest (based on its exploration expenditures incurred), with the Company and White Metal each owning a 30% interest.

RAINY MOUNTAIN ROYALTY CORP.

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

Seagull Property (Continued)

By option agreement dated February 22, 2011, as amended, the Company, CIPC and White Metal (collectively the "Optionors") granted an option to Minfocus Exploration Corp. of Toronto, Ontario (the "Optionee" or "Minfocus") entitling the Optionee to earn an interest in the Seagull property. Under the option agreement, the Optionee has the initial option to earn a 55% interest in the property (the "Initial Option") from the Optionors upon paying the sum of \$55,000 (paid) and issuing 50,000 Minfocus shares (issued). The Company's proportionate share received was \$15,000 and 15,000 Minfocus shares at a value of \$6,000. Additionally, the Optionee is required to pay the Optionors \$25,000 (in cash and/or Minfocus shares), on a pro rata basis, on each of the 12 month anniversary (Minfocus shares received at a value of \$7,500 in February, 2012), the 24 month anniversary (\$3,750 received in cash and \$3,750 received in Minfocus shares in February, 2013) and the 36 month anniversary (Minfocus shares received at a value of \$7,500 in February, 2014) of the option agreement. Also, the Optionee is required to incur exploration expenditures of \$1,000,000 (the "Exploration Expenditure Requirement") on the Seagull property in the amount of \$250,000 in each year of the initial 4 year option term. As well, the Optionee can earn a 70% interest in the Seagull property (the "Additional Option") by incurring a further \$2,000,000 in expenditures against the property during the option term. Further, the Optionee has the right to increase its interest to 85% (the "Further Option") by completing a feasibility study on the property within a 5 year period following the option term. By further amending agreement, dated February 11, 2015, the Optionors agreed to allow the Optionee to extend the Exploration Expenditure Requirement period to September 30, 2015 and to extend the Additional Option earn in period to September 30, 2016 in return for the Optionee collectively issuing 1,000,000 Minfocus shares to the Optionors (300,000 Minfocus shares received by the Company on February 27, 2015 representing the Company's 30% pro rata share of such issuance with a value of \$4,500). By further amending agreement, dated July 29, 2016, the Optionors agreed to extend the date for the Optionee to complete the Exploration Expenditure Requirement to September 30, 2017 in return for the Optionee issuing 500,000 Minfocus shares to the Optionors (150,000 Minfocus shares were issued on August 30, 2016 and were received by the Company and represented the Company's 30% pro rata share of such issuance with a value of \$6,000 which has been recorded as a recovery against fiscal 2017 impairment charges). As well, if the Optionee does not complete the Exploration Commitment by September 30, 2017, the Optionors have also agreed to further extend the date for the Optionee to complete the Exploration Expenditure Requirement to September 30, 2018 in return for the Optionee paying the Optionors \$30,000 in cash (or at the Optionee's election, such payment can be paid with Minfocus shares of equivalent value or any combination of cash and/or Minfocus shares). Additionally, for the above described consideration, the Optionors agreed to further extend the option period under the option agreement to September 30, 2018. On September 30, 2018, the Optionee informed the Company that it had not met its commitments under the amended option agreement and has confirmed that it did not intend to proceed with a further extension or amendment of the option, thus terminating the option agreement.

The Seagull property is subject to two separate royalties (2.4% NSR in total), of which 1.4% can be purchased for \$2 million. The Company and CIPC have certain common directors.

During the year ended April 30, 2016, the Company recorded an impairment charge of \$720,015 related to the Seagull Property due to inactivity.

RAINY MOUNTAIN ROYALTY CORP.

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7. RELATED PARTY TRANSACTIONS

The following is a list of related party transactions, which have not yet been otherwise disclosed:

- (a) As at October 31, 2018, accounts payable and accrued liabilities include \$38,570 (April 30, 2018 - \$63,082) owing to companies with certain directors in common.
- (b) The Company paid or accrued the following amounts to companies controlled by directors and former directors or companies having certain directors and former directors in common during the period ended October 31, 2018 and 2017:

	October 31, 2018	October 31, 2017
Consulting and director fees	\$ 32,000	\$ 79,000
Geological and consulting	\$ 5,625	\$ 67,806
Rent and utilities	\$ 11,909	\$ 11,909
Share-based compensation	\$ -	\$ 15,680

Key management compensation includes the following:

	October 31, 2018	October 31, 2017
Consulting and director fees	\$ 32,000	\$ 79,000
Share-based compensation	\$ -	\$ 15,680

- (c) During the period ended October 31, 2018, the Company reimbursed Waterfront Communications Inc. (a company with certain directors in common) on a cost basis, to cover shared administrative and geological payroll costs in the amount of \$20,663 (2017 - \$20,901) and shared expenses in the amount of \$11,552 (2017 - \$12,909). The Company has a \$18,000 deposit (April 30, 2018 - \$18,000) with Waterfront Communications Inc. to cover shared payroll and expenses.
- (d) The Company entered into a loan agreement, dated July 23, 2014, pursuant to which the lender agreed to loan the Company up to \$100,000 for working capital purposes. The loans were provided by a company controlled by a director and each loan advance is for a term of one year with interest at a rate of 1% per month (12% per annum).

The Company is a party to certain exploration property transactions with companies with certain directors in common and certain former directors in common (Note 6). Except as noted above with respect to the loan agreements, amounts due to (from) related parties are unsecured and have no stated terms of repayment and/or interest.

8. CAPITAL STOCK

Authorized share capital:

Unlimited number of common shares, without par value

During the period ended October 31, 2018, the following share transactions were completed by the Company:

- No transactions during the period.

RAINY MOUNTAIN ROYALTY CORP.

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8. CAPITAL STOCK (Continued)

During the year ended April 30, 2018, the following share transactions were completed by the Company:

- On January 17, 2018, the Company closed the third and final tranche of its non-brokered flow through and non-flow through private placements (the “Private Placements”). Under the third tranche, the Company has raised an additional \$50,000 by the issuance of 1,000,000 non-flow through units (the “NFT Units”) at a price of \$0.05 per NFT Unit. Each NFT Unit consists of one non-flow through common share and one non-flow through share purchase warrant, with each warrant entitling the holder to purchase an additional non-flow through common share for a period of five years at an exercise price of \$0.07. No finder’s fees were paid in connection to the closing of the third tranche.
- On December 28, 2017, the Company closed the second tranche of its non-brokered flow through and non-flow through private placements (the “Private Placements”). Under the second tranche, the Company has raised an additional \$150,000 by the issuance of 3,000,000 flow through units (the “FT Units”) at a price of \$0.05 per FT Unit. Each FT Unit consists of one flow through common share and one non-flow through share purchase warrant, with each warrant entitling the holder to purchase an additional non-flow through common share for a period of two years at an exercise price of \$0.10. In connection with the closing of Private Placement, the Company paid a finder’s fee of \$7,500 in cash and 150,000 units with a value of \$7,500.
- On December 15, 2017, the the Company closed the first tranche of its non-brokered flow through and non-flow through private placements (“Private Placements”) of \$100,000 by the issuance of 2,000,000 flow through units (the “FT Units”) at a price of \$0.05 per FT Unit. Each FT Unit consists of one flow through common share and one non-flow through share purchase warrant, with each warrant entitling the holder to purchase an additional non-flow through common share for a period of two years at an exercise price of \$0.10. No finder’s fees were paid in connection to the closing of the first tranche.
- On September 26, 2017, the Company completed its non-brokered private placement (“Private Placement”) and raise gross proceeds of \$151,000 by the issuance of 1,510,000 flow through shares (“FT Shares”) at a price of \$0.10 per FT Share. In connection with the closing of Private Placement, the Company paid a finder’s fee of \$800.
- On September 11, 2017, 361,438 shares were issued (with a value of \$27,650) in connection with the Brunswick Property.
- On June 13, 2017, 50,000 shares were issued (with a value of \$6,000) to the Mattagami First Nation per the Memorandum of Understanding (the “MOU”) concluded on May 8, 2017 in connection with the Company’s Brunswick Property.
- On June 8, 2017, 150,000 options were exercised at a price of \$0.05 per share and 70,000 options were exercised at a price of \$0.06 per share.
- On May 5, 2017, 600 warrants were exercised to acquire 600 common shares at a price of \$0.15 per share.
- On May 2, 2017, the Company completed its non-brokered private placement and raised gross proceeds of \$465,000 by issuance of 4,650,000 non-flow units (the “Units”) at \$0.10 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share of the Company for a period of 24 months at an exercise price of \$0.15 the first 12 months and at an exercise price of \$0.25 thereafter. As of April 30, 2017, the Company received proceeds of \$115,000 towards the private placement.

RAINY MOUNTAIN ROYALTY CORP.

Notes to the Financial Statements

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9. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of five years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

On May 19, 2017, the Company granted 735,000 incentive stock options to certain independent consultants at an exercise price of \$0.115 per share for a term of one year in accordance with the terms of the Company's stock option plan.

On June 14, 2017, the Company granted 50,000 incentive stock options to the Mattagami First Nation at an exercise price of \$0.11 per share for a term of 5 years in accordance with the Memorandum of Understanding and the terms of the Company's stock option plan.

On August 9, 2017, the Company granted 202,750 incentive stock options to certain directors, officers, employees and consultants at an exercise price of \$0.10 per share for a term of 5 years in accordance with the terms of the Company's stock option plan.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable at April 30, 2017	3,820,750	\$ 0.09
Granted	987,750	0.11
Expired	(18,750)	0.40
Exercised	<u>(220,000)</u>	0.05
Outstanding and exercisable at April 30, 2018	4,569,750	0.10
Expired	<u>(735,000)</u>	-
Outstanding and exercisable at October 31, 2018	3,834,750	\$ 0.10

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9. STOCK OPTIONS AND WARRANTS (Continued)**Stock options (Continued)**

Outstanding stock options:

Expiry Date	Exercise Price	Number of Options	
		October 31, 2018	April 30, 2018
May 19, 2018	\$ 0.115	-	735,000
May 3, 2021	\$ 0.05	540,000	540,000
September 20, 2021	\$ 0.06	677,000	677,000
March 17, 2022	\$ 0.105	2,365,000	2,365,000
June 14, 2022	\$ 0.11	50,000	50,000
August 9, 2022	\$ 0.10	202,750	202,750
Outstanding and exercisable		3,834,750	4,569,750

The weighted average grant-date fair value of options granted during the period ended October 31, 2018 was \$nil (April 30, 2018 - \$0.05) per option.

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2018
Expected life (years)	1 - 5
Interest rate	0.68 - 1.52%
Volatility	98.04 - 153.40%
Dividend yield	0.00%

Stock based compensation recognized for options granted and vested during the period ended October 31, 2018 was \$nil (April 30, 2018 - \$45,134). In addition, nil (April 30, 2018 - \$5,993) was recorded to Exploration and Evaluation assets (see Note 6).

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9. STOCK OPTIONS AND WARRANTS (Continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at April 30, 2017	22,976,124	\$ 0.16
Granted	8,475,000	0.11
Exercised	(600)	0.25
Expired	(962,500)	0.40
Outstanding at April 30, 2018	30,488,024	0.16
Expired	(2,592,500)	-
Outstanding at October 31, 2018	27,895,524	\$ 0.16

Outstanding share purchase warrants:

	Expiry Date	Exercise Price	Number of Warrants	
			October 31, 2018	April 30, 2018
	May 6, 2018	\$ 0.40	-	2,017,500
	November 5, 2018	\$ 0.20	-	500,000
	November 6, 2018 ⁽¹⁾	\$ 0.10	-	75,000
	March 1, 2019 ⁽²⁾	\$ 0.25	6,772,928	6,772,928
	March 1, 2019 ⁽³⁾	\$ 0.135	2,041,680	2,041,680
	May 2, 2019 ⁽⁴⁾	\$ 0.15	2,325,000	2,325,000
	October 26, 2019 ⁽⁵⁾	\$ 0.10	2,954,000	2,954,000
	December 15, 2019	\$ 0.10	2,000,000	2,000,000
	December 28, 2019	\$ 0.10	3,000,000	3,000,000
	December 28, 2019	\$ 0.10	150,000	150,000
	October 26, 2020 ⁽⁶⁾	\$ 0.10	7,651,916	7,651,916
	January 17, 2023	\$ 0.07	1,000,000	1,000,000
Outstanding			27,895,524	30,488,024

⁽¹⁾ The warrants were extended from an original expiry date of November 6, 2016 to a new expiry date of November 6, 2018.⁽²⁾ After March 1, 2018, the warrant exercise price increased to \$0.25 and expires on March 1, 2019.⁽³⁾ Broker warrants.⁽⁴⁾ After May 2, 2018, the warrant exercise price increases to \$0.25 and expires on May 2, 2019.⁽⁵⁾ The warrants were extended from an original expiry date of October 26, 2017 to a new expiry date of October 26, 2019.⁽⁶⁾ The warrants were extended from an original expiry date of October 26, 2018 to a new expiry date of October 26, 2020.

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Notes to the Financial Statements

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	October 31, 2018	April 30, 2018
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -

The significant non-cash financing or investing transactions during the period ended October 31, 2018 included:

- None.

The significant non-cash financing or investing transactions during the year ended April 30, 2018 included:

- Issued 361,438 shares (with a value of \$27,650) in connection with the Brunswick Property Option Agreement (Note 6).
- Received 600,000 shares (marketable securities valued at \$27,000) on exploration and evaluation assets optioned (Notes 4 and 6 - Marshall Lake Property).
- Issued 50,000 shares (with a value of \$6,000) to the Mattagami First Nation per the Memorandum of Understanding (the "MOU") in connection with the Brunswick Property.
- Issued 150,000 finders units with a value of \$7,500 pursuant to a private placement.
- Granted 50,000 options (valued at \$5,992) to the Mattagami First Nation per the MOU in connection with the Brunswick Property.
- Received 180,000 shares (marketable securities valued at \$2,700) on exploration and evaluation assets optioned (Notes 4 and 6 - Seagull Property).

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes as at April 30, 2018 is as follows:

	2018
Net loss for the year	\$ (682,588)
Expected income tax (recovery)	(184,000)
Change in statutory, foreign tax, foreign exchange rates and other	(13,000)
Permanent difference	5,000
Impact of flow-through shares	87,000
Expiration of non-capital losses	-
Share issue cost	(4,000)
Adjustment to prior years provision versus statutory tax returns	(67,000)
Change in unrecognized deductible temporary differences	176,000
Total income tax expense (recovery)	\$ -

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Notes to the Financial Statements

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11. INCOME TAXES (Continued)

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of the Company's unrecognized temporary differences and unused tax as at April 30, 2018 and 2017 are as follows:

	Expiry	2018
Temporary Differences		
Exploration and evaluation assets	No expiry date	\$ 3,583,000
Investment tax credit	2022	23,000
Property and equipment	No expiry date	164,000
Share issue costs	2038 to 2041	146,000
Marketable securities	No expiry date	103,000
Non-capital losses available for future period	2026 to 2037	6,482,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. COMMITMENTS

In prior years, the Company entered into three 5 year term renewable agreements, as amended, with companies controlled by two directors and one former director of the Company for the provision of consulting and/or legal services at a cost of \$2,500 per month (\$30,000 per annum) for each of the three agreements. The agreements were further amended in March 2017 for one year to \$5,000 per month (\$60,000 per annum) for two agreements and \$7,500 (\$90,000 per annum) for the third agreement. On March 1, 2018 the agreements reverted back to \$2,500 per month for each of the agreements. If any of such agreements are terminated without cause, or if there is a change in control of the Company, the Company is required to pay \$150,000 to such contracted party so affected.

The Company has also entered into two agreements with certain directors/officers for services rendered in such capacities. If such agreements are terminated without consent of the director/officer, or the director/officer resigns within 120 days following a change in control, the Company must pay \$50,000 to such director/officer and allow any unvested stock options to vest.

13. CAPITAL MANAGEMENT

The Company's capital comprises its shareholders' equity under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

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Notes to the Financial Statements

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13. CAPITAL MANAGEMENT (Continued)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

To fund future operations and exploration activities, the Company may need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the period ended October 31, 2018. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS

Fair value

The Company classified its cash and cash equivalents and marketable securities as fair value through profit and loss; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of receivables, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
October 31, 2018				
Cash and cash equivalents	\$ 19,024	\$ 19,024	\$ -	\$ -
Marketable securities	\$ 10,500	\$ 10,500	\$ -	\$ -
April 30, 2018				
Cash and cash equivalents	\$ 10,061	\$ 10,061	\$ -	\$ -
Marketable securities	\$ 58,600	\$ 58,600	\$ -	\$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables.

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Notes to the Financial Statements

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14. FINANCIAL INSTRUMENTS (Continued)

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote, as it maintains accounts with highly-rated financial institutions. Receivables are due primarily from GST input tax credits.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At October 31, 2018, the Company had accounts payable and accrued liabilities of \$137,909 (April 30, 2018 - \$137,628).

Based on the current funds held, the Company will may need to rely upon financing from shareholders and/or debt holders to obtain sufficient long term working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a)** To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b)** To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its marketable securities, as they are carried at fair values based on quoted market prices.

Given the balance of the marketable securities, the Company is not exposed to significant other price risk.

15. SEGMENTED INFORMATION

The Company currently operates in one business segment, being the acquisition and exploration of mineral properties with all its assets located in Canada.